

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 DOE-15 SOE-02 /112 W
-----107255 290940Z /11

R 281730Z APR 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 2100
INFOR AMEMBASSY BOGOTA
AMEMBASSY BUENOS AIRES
USCINCLANT NORFOLK VA
USCINCSO QUARRY HEIGHTS

LIMITED OFFICIAL USE SECTION 1 OF 2 CARACAS 3973

E.O. 11652: N/A
TAGS: ECON PINT PGOV VE
SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 3748 (NOTAL)

SUMMARY: FRAUD SCHEME SPARKS AD-COPEI POLEMICS.
NATION'S ELECTORAL WATCHDOG AGENCY ADOPTS CAMPAIGN
ADVERTISING RESTRICTIONS. CORPOZULIA STEEL AND COAL
PROJECT STUDIED BY CONGRESS. END SUMMARY.

1. FRAUD SPARKS HEATED COPEI-AD EXCHANGE.
AN EXPORT FRAUD SCHEME ALLEGEDLY INVOLVING A HIGH-
RANKING COPEI PARTY OFFICIAL HAS SURFACED THIS WEEK
CAUSING A BLISTERING AD-COPEI EXCHANGE. THE SCHEME WAS
UNCOVERED AS AN EXPORT COMPANY ATTEMPTED TO CLAIM A
BONUS FOR THE EXPORT OF NON-EXISTENT FARM MACHINERY
UNDER A GOVERNMENT INCENTIVE PROGRAM. FIVE ARGENTINE
CITIZENS, WHO HAVE SINCE SLIPPED AWAY, WERE ADVISING THE
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COMPANY AND THEY HAD ESTABLISHED TIES WITH SEVERAL LEADING
FIGURES IN VENEZUELAN FIANANCE, AMONG THEM JOSE MIGUEL
UZCATEGUI, A LEADING COPEYANO AND VENEZUELAN LABOR FEDERA-
TION REPRESENTATIVE TO THE CENTRAL BANK, AND JATAR DOTTI,
FORMER PRESIDENT OF THE VENEZUELAN NATIONAL SECURITIES
COMMISSION WHO RESIGNED LAST WEEK OSTENSIBLY FOR HEALTH
REASONS. BOTH HAVE BEEN ACCUSED OF AIDING THE COMPANY IN

CLAIMING PHONY EXPORT BONUSES AND UZCATEGUI REPORTEDLY ALSO RECEIVED \$1100 MONTHLY FOR HIS "ADVICE." COPEI, LED BY SENATOR GODOFREDO GONZALEZ, BLASTED THE AD GOVERNMENT FOR SMEAR TACTICS AND CAMPAIGN MANEUVERING, EXPRESSING "FULL CONFIDENCE" IN UZCATEGUI. AD WAS USING A SMOKE SCREEN TO OBSCURE THE PARTICIPATION OF GOVERNMENT (HENCE AD) OFFICIALS IN THE FRAUD, GONZALEZ CHARGED. SECRETARY GENERAL OF THE PRESIDENCY LAURIA COUNTERED THAT THE GOVERNMENT WAS PURSUING ITS COMMITMENT TO FIGHT ADMINISTRATIVE CORRUPTION IN ANY FORM. HE STATED THAT THE GOV HAD ASKED FOR DOTTI'S RESIGNATION AND HAD INFORMED THE CENTRAL BANK ABOUT UZCATEGUI'S INVOLVEMENT. LAURIA CHARACTERIZED GONZALEZ' ATTACK AS "ASTONISHING" AND HIS DEFENSE OF UZCATEGUI "INEXPLICABLE." THE LABOR FEDERATION STATED THAT A DECISION ON THE CONTINUATION OF UZCATEGUI AS ITS REPRESENTATIVE TO THE CENTRAL BANK WILL BE MADE MAY 2. THE SPREADING SCANDAL ALSO PROMOTED THE RESIGNATION, APRIL 27, OF JOSE ARNALDO PUIGBO, PRESIDENT OF THE SOCIEDAD FINANCIERA INDUSTRIAL (FIVCA). COMMENT: THE EXTENT OF THE SCANDAL IS DIFFICULT TO GAUGE AT THIS POINT, BUT THE "CHATARRA" (SCRAP IRON) SCANDAL AS IT HAS BEEN DESIGNED, HAS ALL THE MAKING OF ANOTHER MAJOR VENEZUELAN FINANCIAL SCHANDAL, AS WELL AS THE MAKINGS OF A MAJOR CAMPAIGN ISSUE. END COMMENT.

2. CSE PASSES RESTRICTIONS ON CAMPAIGN ADVERTISING.
THE SUPREME ELECTORAL COMMISSION (CSE) APPROVED BY UNANIMOUS LIMITED OFFICIAL USE

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VOTE EARLIER THIS WEEK GUIDELINES GOVERNING PRESS, RADIO AND TELEVISION ELECTORAL PROPAGANDA WHICH CAN BE USED BY POLITICAL PARTIES IN THE CAMPAIGN. THE RESTRICTIONS LIMIT CAMPAIGN ADVERTISING TO: A MAXIMUM OF FIVE MINUTES PER DAY ON ANY TV OR RADIO STATION; UNTIL AUGUST, NO PARTY MAY PURCHASE MORE THAN ONE FULL-PAGE AD PER DAY IN ANY NEWSPAPER, AFTER AUGUST, TWO FULL-PAGE ADS PER NEWSPAPER WILL BE ALLOWED; POLITICAL ADVERTISEMENTS DURING CHILDREN'S PROGRAMS WILL BE FORBIDDEN. COMMENT: THE LIMITATIONS, ON THE SURFACE AT LEAST, WOULD TEND TO FAVOR THE SMALL PARTIES WHICH ARE BEING OUTSPENT HEAVILY BY AD AND COPEI. ENFORCEMENT, AS WITH MOST VENEZUELAN LAWS, WILL BE IFfy SINCE THE CSE WILL APPARENTLY RELY ON SOME EXTENT ON VOLUNTARY COOPERATION FROM THE MEDIA AND THE "GOOD FAITH" OF THE PARTIES.

3. CORPOZULIA COAL AND STEEL PROJECT REVIEWED BY CONGRESS.
HECTOR HURTADO OF THE VENEZUELAN INVESTMENT FUND (FIV), FINANCE MINISTER LUONGO AND CORPOZULIA PRESIDENT FERNANDO CHUMACEIRO TESTIFIED APRIL 27 BEFORE THE FINANCE COMMITTEE OF THE CONGRESS OF THE PROPOSED LAW INTRODUCED THE PREVIOUS WEEK TO FINANCE THE COAL AND STEEL PROJECTS IN ZULIA. THE COST OF THE STEEL PROJECT IS NOW ESTIMATED AT 10.9 BILLION

BOLIVARS (\$2.53 BILLION), COAT AT BS 455 MILLION (\$106 MILLION) AND RELATED PROJECTS AND INFRASTRUCTURE (THERMO-ELECTRIC PLANT) AT BS 3.5 BILLION (813 MILLION).
LEGISLATORS QUESTIONED WHETHER THE GOV SHOULD INITIATE A SECOND STEEL PLANT, GIVEN THE AVAILABILITY OF CHEAP STEEL IN THE WORLD MARKET AND THE PROBLEMS OF SIDOR (WHICH RECENTLY REPORTED A LOSS OF 400 MILLION BOLIVARS FOR 1977) AND ALSO EXPRESSED CONCERN ABOUT THE INCREASED DEBT BURDEN FOR THESE PROJECTS. GOVERNMENT WITNESSES JUSTIFIED THE STEEL PROJECT IN TERMS OF A POSSIBLE CHANGE IN STEEL PRICES IN THE NEXT SEVERAL YEARS, AND CITED THE NEED FOR ADDITIONAL DOMESTIC STEEL PRODUCTION TO MEET INCREASED LOCAL DEMAND IN THE LATE 1980'S AND TO REDUCE FUTURE IMPORTS. SIDOR'S DIFFICULTIES WERE ATTRIBUTED TO OLD EQUIPMENT AND AN LIMITED OFFICIAL USE

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INEFFICIENT AND INEXPERIENCED LABOR FORCE. ON THE QUESTION OF INCREASED DEBT, THE FINANCE MINISTER CALLED ATTENTION TO THE FINANCIAL CONTRIBUTION THAT WOULD BE PROVIDED BY THE PRIVATE PARTNER IN THE STEEL PROJECT. THE MEP DEPUTY FROM ZULIA, ALTHOUGH SUPPORTING THE PROJECTS, CHARGED THAT THE PRESENT GOVERNMENT HAD "NEGLECTED THE ZULIA AREA FOR FOUR

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AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 DOE-15 SOE-02 /112 W
-----109440 290940Z /10

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FM AMEMBASSY CARACAS
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YEARS" AND WAS ONLY PUSHING THE PROJECT NOW TO BENEFIT THE
AD PRESIDENTIAL CANDIDATE. HURTADO STATED THAT A STATE-
OWNED COMPANY WOULD BE ESTABLISHED IN ABOUT THREE MONTHS TO
UNDERTAKE THE COAL PROJECT (FIV AND CORPOZULIA RECENTLY
AGREED THAT CORPOZULIA WOULD SUBSCRIBE 60 PERCENT AND
FIV, 40 PERCENT OF THE CAPITAL). HE ESTIMATED THAT A
PRIVATE HARTNER FOR THE STEEL PROJECT WOULD BE SELECTED
IN THE SECOND HALF OF THIS YEAR. A BRITISH AND A LOCALLY-LED
CONSORTIUM ARE GENERALLY REGARDED AS THE TWO FRONT RUNNERS.

4. OTHER REPORTING THIS WEEK INCLUDED HIGH LEVEL PARTICIPATION
IN THE SSOD (CARACAS 3778), VISIT OF UAW OFFICIAL
STEPHEN PROTULIS (CARACAS 3781), NARCOTICS: MEETING OF
MINISTERS OF JUSTICE (CARACAS 3783), WILLIAM NIEHOUS KIDNAPPING
(CARACAS 3786 AND 3873), RETURN OF PANAMANIAN EXILES
(CARACAS 37995, LILELY OASGA STAND OF HOST GOVERNMENT
(CARACAS 3815), VENEZUELA DECLINES TO PAY INTEREST ON
DELINQUENT FMS DEBT (CARACAS 3872), CURRENT ASSESSMENT OF
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INSURGENCY IN VENEZUELA APRIL
1978 (CARACAS 3914), OVERRIDING
ROYALTY RIGHTS HOLDERS IN VENEZUELA (CARACAS 3816),
FISHERIES-VENEZUELAN INTEREST IN EXPORTING TUNA TO US
(CARACAS 3853), PORT CONGESTION -PUERTO CABELLO (CARANAS
3878), CONSULTATIONS ON CARIBBEAN COOPERATION (CARACAS
3916), VISIT OF ICE PRESIDENT FIGUEREDO TO WASHINGTON
(CARACAS 3968), AND VENEZUELAN ASSISTANCE FOR JAMICA
(CARACAS 3897).
VAKY

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 28 apr 1978
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Retention: 0
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Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
Subject: THIS WEEK IN VENEZUELA
TAGS: ECON, PINT, PGOV, VE
To: STATE BOGOTA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/056fa1b0-c288-dd11-92da-001cc4696bcc
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